

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 TRSE-00 COME-00 STR-08 SCI-06

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E.O. 11652: N/A

TAGS: ETRD, CA

SUBJ: AEROSPACE INDUSTRY/OFFSET POLICY - CONSULTATIONS

REQUEST

REF: OTTAWA 2505; STATE 168967

1. STATUS GOC REPLY TO US NOTE REQUESTING CONSULTATIONS ON OFFSET POLICY DISCUSSED WITH SHANNON (COMMERCIAL POLICY DIVISION, EXTAFF) AGAIN ON SEPT 19, WHO STATED IT WAS UNLIKELY GOC COULD RESPOND IN SPECIFIC TERMS IN NEAR FUTURE. SHANNON SAID THAT RESPONSIBLE AGENCIES WERE STILL AT EARLY STAGE IN POLICY DEVELOPMENT RESPECTING AEROSPACE INDUSTRY AND THUS DID NOT FEEL THEY NOW COULD MEANINGFULLY RESPOND TO USG CONCERNS.

2. TCO INDICATED THAT FACT THAT OFFSET POLICY WAS STILL EMBRYONIC WAS IMPORTANT REASON FOR USG INTEREST IN EARLY MEETING DATE. SHANNON REPLIED THAT USG NOTE HAD INDICATED THRUST OF OUR INTERESTS AND THESE WERE BEING CONSIDERED IN INTERAGENCY PROCESS. IF WE PRESSED STRONGLY FOR A REPLY NOW MOST WE WOULD GET IS A STATEMENT OF WILLINGNESS IN PRINCIPLE TO MEET

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WITHOUT ANY INDICATION WHEN THIS MIGHT TAKE PLACE.

3. SHANNON CONFIRMED MACARTHUR'S INFORMATION (OTTAWA 3006) THAT REPLY ON COMPUTER COMMUNICATIONS WAS FAIRLY WELL ADVANCED. HE ADDED THAT INITIALLY THE TWO NOTES WERE CONSIDERED TOGETHER SINCE THEY BOTH TOUCHED UPON INDUSTRIAL POLICY, BUT IT NOW WAS QUITE CLEAR THAT BUREAUCRATIC ELEMENTS INVOLVED IN COMPUTER AND AEROSPACE QUESTIONS WERE QUITE SEPARATE AND EACH TOPIC WAS BEING DEALT WITH ON ITS OWN. TCO AGAIN INDICATED OUR HOPE FOR BACK TO BACK CONSULTATIONS ON OFFSET AND COMPUTER QUESTIONS, BUT SHANNON HELD OUT NO EXPECTATION THIS WOULD BE POSSIBLE UNLESS WE DELAYED COMPUTER CONSULTATIONS.

4. COMMENT: WHILE TOTAL POLICY FOR AEROSPACE INDUSTRY IS STILL BEING DEVELOPED, PIECES OF SUCH A POLICY EXIST AND ARE BEING IMPLEMENTED. APPLICATION OF OFFSET TO LRPA PROCUREMENT (MILITARY) IS WELL-PUBLICIZED EXAMPLE, AND GOYER-MARCHAND SPEECHES OF OCTOBER 1973 HERALDED EXTENSION OF PRACTICE INTO CIVILIAN AREAS. TEN DAYS AGO, MCDONNELL DOUGLAS OF ST. LOUIS, A CONTENDER FOR A MAJOR MILITARY JET ORDER (OTTAWA 2922), ANNOUNCED A \$20 MILLION INVESTMENT FOR ENGINEERING AND SYSTEMS DEVELOPMENT IN ONTARIO GOVERNMENT'S URBAN TRANSPORTATION DEVELOPMENT CORPORATION WHICH IS ATTEMPTING PERFECT GERMAN KRAUSS-MAFFEI'S MAGNETIC LEVITATION TECHNOLOGY FOR MASS TRANSIT. UNDER PARALLEL CONTRACT WITH KRAUSS-MAFFEI, MCDONNELL DOUGLAS WOULD GET US MARKETING RIGHTS FOR THE SYSTEM, IF PERFECTED. EMBASSY CANNOT SAY WITH ANY ASSURANCE TO WHAT EXTENT MCDONNELL DOUGLAS WAS RESPONDING TO GOC'S OFFSET EMPHASIS OR SIMPLY MAKING AN ORDINARY COMMERCIAL DECISION (RELATED TO NEED FOR NEW ACTIVITY AT ITS DOUGLAS AIRFRAC T TORONTO PLANT AND REFLECTING US AEROSPACE INDUSTRY INTERESTS IN GETTING INTO URBAN TRANSPORT). HOWEVER, WE HAVE NO DOUBT THAT GOC AND CROWN CORPORATION OFFICIALS ARE INTRODUCING OFFSET INTO THEIR PROCUREMENT DISCUSSIONS WITH POTENTIAL SUPPLIERS.

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5. EMBASSY WILL CONTINUE PRESSING EXTAFF ON THIS ISSUE BUT IS NOT SANGUINE ABOUT RESULTS. FOLLOW-UP NOTE MAY EVENTUALLY BE IN ORDER. IN LIGHT SHANNON'S COMMENTS IN PARA 3 ABOVE AND TO AVOID RISK OF DELAY IN PROGRESS ON COMPUTER CONSULTATIONS, IT MAY BE BEST TO FIRST GIVE GOC REASONABLE ADDITIONAL TIME TO REPLY TO US ON LATTER ISSUE. PORTER

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